

Earned Value Management on Firm Fixed Price Contracts: The DoD Perspective

Van Kinney

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Contracting Policy

- Select contract type based on risk (FAR 16)
- Use of fixed price contracts on development or on contracts for first ship of a class requires USD(A&T) approval (DoD 5000.2, DFARS 235.006)

Acquisition requirements usually result in FFP being used only on contracts with minimal risk.

EVMS Criteria Policy

(DoD 5000.2-R)

- Compliance with EVMS criteria required on major contracts
 - R&D >\$70M*
 - Procurement >\$300M*
- May be required on smaller contracts at management discretion
 - High risk or management interest

* FY 96 constant \$

FFP EVMS Policy (DoD 5000.2-R)

- **EVMS discouraged** for FFP
 - Requires exception by Milestone Decision Authority
 - EVMS not considered necessary for low risk contracts
- But PMs should exercise judgment
 - May be appropriate on critical contracts

Use of EVMS Criteria on FFP Contracts - Why Do It?

- Contractor point of view:
 - Use enterprise-wide management systems
- Government point of view:
 - Provide contract administration tool to assess payments
- Common points of view:
 - Provide integrated schedule status
 - Important to manage resources well
 - EVMS Criteria = good management

Reporting Considerations

- Less information should be required
- Reporting needs should flow from reasons for application
 - Support progress payments
 - Integrate schedule status
 - Inform management

Other Considerations

- Perceived/real inhibitor to market entry by commercial firms?
- Validation?
- Integrated Baseline Reviews?
- Differing agency interpretations?
- Judgment vs regulation
 - Risk based application